

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4554-01
Bill No.: HB 1066
Subject: Children and Minors; Disabilities; Education, Elementary and Secondary
Type: Original
Date: January 14, 2014

Bill Summary: This proposal establishes educational savings accounts as an option for the education of children with disabilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 or (Unknown - Could exceed \$200,000)	\$0 or (Unknown - Could exceed \$200,000)	\$0 or (Unknown - Could exceed \$200,000)
Total Estimated Net Effect on General Revenue Fund	\$0 or (Unknown - Could exceed \$200,000)	\$0 or (Unknown - Could exceed \$200,000)	\$0 or (Unknown - Could exceed \$200,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government*	\$0	\$0	\$0

***Potential Savings and Losses are expected to offset.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Attorney General (AGO)** state that this proposal provides that "The department [of revenue] may refer cases of misuse of moneys to the attorney general for investigation if the department obtains evidence of fraudulent use of an account." As the number and complexity of such referrals is unknown, costs are likewise unknown but could be significant. The AGO will seek additional appropriations if significant costs result from such referrals.

For fiscal note purposes only, **Oversight** will assume the AGO has core appropriations to handle such referrals made to their agency.

Officials from the **Administrative Hearing Commission** indicate no fiscal impact to their agency resulting from this proposed legislation.

According to officials from the **Office of Secretary of State (SOS)**, many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS's office is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to Secretary of State's office for Administrative Rules is less than \$2,500. SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what their office can sustain with their core budget. Therefore, SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal with core funding. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

Officials from the **Department of Elementary and Secondary Education (DESE)** assume that local school districts will lose the state aid for each child whose parents participate in the empowerment accounts. There could be a savings to General Revenue in state aid; however, any impact cannot be estimated as it depends on the actions of parents.

ASSUMPTION (continued)

Oversight assumes any savings in reduction of state aid would be redistributed through the foundation formula. Also, while schools would lose state aid for children with disabilities whose parents participate in the program, those losses may be offset by a reduction in the cost of educating a child with disabilities.

Officials from the **Department of Revenue (DOR)** states §162.1404 of the proposal requires DOR to conduct or contract for annual audits of the empowerment accounts to ensure compliance.

DOR will need to develop forms to allow a parent to enroll a qualified student and to renew annually. It is not clear how the funds are provided to the eligible student, qualified school or provider. DOR would need to issue a Request for Proposal (RFP) to establish the contract with the private management firm and would need a number of staff to create the RFP and to evaluate the responses.

One Accounting Specialist will be required to develop this RFP, as well as additional funds to contract with the vendor administering the accounts.

Oversight assumes DOR would be able to prepare the RFP with existing resources. If additional personal services are needed, DOR can request additional resources through the appropriations process. **Oversight** also assumes DOR will be able to cover any other DOR costs associated with the empowerment accounts with the up to three percent allowed to be deducted from the amount of student state aid from each empowerment account each year as outlined in §162.1404.

Officials from the **Francis Howell School District** assume the loss of state aid for the student(s) would likely be offset by the reduced expenditures of not educating a student with disabilities.

Officials from the **Nixa Public School District** assume that if parents chose to enroll in this program, the school district would still do quite a bit of work on the front end as the student would have to be diagnosed and found eligible and be enrolled in their district 100 days prior to the transfer. Teachers would need to go through the referral process, evaluation process, paperwork, writing of the IEP for the student to leave for a private institution.

Officials from the **Fulton Public School District (FPSD)** state that if the reduction in state foundation formula money from a student leaving without affecting district federal dollars or the factors in the foundation formula, there will be minimal fiscal effect especially if high needs children leave. However, if the legislation intends to revise the state foundation formula factors

ASSUMPTION (continued)

and federal special education dollars, officials from the FPSD do not have the information to estimate the negative effect on their district due to the complicated factors in the state foundation formula.

Officials from **Northwest Missouri State University, Missouri Western State University, Missouri Southern State University, Missouri State University, University of Missouri System**, and the **University of Central Missouri** state this proposal will have no fiscal impact on their respective universities.

Officials from the following school districts: Blue Springs, Branson, Caruthersville, Charleston R-I, Cole R-I, Columbia, Fair Grove, Francis Howell, Harrison R-IX, Independence, Jefferson City, Johnson County R-7, Kansas City, Kirksville, Kirbyville R-V, Lee's Summit, Malden R-I, Malta Bend, Mexico, Monroe City R-I, Parkway, Pattonville, Raymore-Peculiar R-III, Raytown, Riverview Gardens, Sedalia, Sikeston, Silex, Special School District of St. Louis County, Spickard R-II, Springfield, St Joseph, St Louis, St. Charles, Sullivan, Warren County R-III, and Waynesville did not respond to **Oversight's** request for fiscal impact.

Officials from the following colleges and universities: Crowder, East Central Community College, Harris-Stowe, Jefferson College, Kansas City Metro Community College, Linn State Technical College, Lincoln University, Moberly Area Community College, Southeast Missouri State University, State Fair Community College, St. Charles Community College, St. Louis Community College, Three Rivers Community College, and Truman State University did not respond to **Oversight's** request for fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Income</u> - Department of Revenue (DOR) -Up to 3% of Empowerment Accounts (\$162.1404.5)	\$0 or Unknown	\$0 or Unknown	\$0 or Unknown
<u>Cost</u> - DOR - Funding for Missouri Empowerment Accounts (\$162.1402.3	\$0 or (Unknown - Could exceed \$100,000)	\$0 or (Unknown - Could exceed \$100,000	\$0 or (Unknown - Could exceed \$100,000)
<u>Cost</u> - DOR - Contract costs (\$162.1404.1)	\$0 or (Unknown - Could exceed \$100,000)	\$0 or (Unknown - Could exceed \$100,000	\$0 or (Unknown - Could exceed \$100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$0 or (Unknown - Could exceed \$200,000)</u>	<u>\$0 or (Unknown - Could exceed \$200,000)</u>	<u>\$0 or (Unknown - Could exceed \$200,000)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
LOCAL POLITICAL SUBDIVISIONS			
<u>Savings</u> - School Districts - Costs over and above state aid to educate students with disabilities	\$0 or Unknown - Could exceed \$100,000	\$0 or Unknown - Could exceed \$100,000	\$0 or Unknown - Could exceed \$100,000
<u>Costs</u> - School Districts - Loss of state aid for students with disabilities	\$0 or (Unknown - Could exceed \$100,000)	\$0 or (Unknown - Could exceed \$100,000)	\$0 or (Unknown - Could exceed \$100,000)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

LMD:LR:OD

FISCAL DESCRIPTION

This bill authorizes the establishment of an educational savings account, known as a Missouri empowerment account, as an option for the education of a student with a specified disability. To enroll a qualified student for an empowerment account, the parent of a qualified student must sign an agreement that contains specified requirements. In exchange for the parent's agreement, the state must deposit into an empowerment account an amount that is equivalent to 90% of the amount of state aid that otherwise would be computed for the student, including consideration of all state funding weights. The empowerment account must be renewed by a parent on an annual basis.

The bill specifies that a signed agreement constitutes school attendance as required by statute. A qualified school or provider of services purchased under these provisions is prohibited from sharing, refunding, or rebating any empowerment account funds with the parent or qualified student in any manner.

The Department of Revenue (DOR) must contract with private financial management firms to manage empowerment accounts with the supervision of DOR. The department must conduct or contract for annual audits of a random sample of empowerment accounts to ensure compliance with the provisions of the bill and is authorized to remove any parent or qualified student from eligibility for an empowerment account if the parent misuses the funds in the account. A parent may appeal the DOR decision. DOR is authorized to refer cases for misuse of funds to the Attorney General for investigation if DOR obtains evidence of fraudulent use of an account. DOR may deduct up to 3% of the amount of student state aid from each empowerment account each year for the DOR administrative costs account.

DOR must make quarterly transfers of the amount calculated as specified in the bill to the empowerment account of each qualified student. The bill specifies that these provisions do not permit any government agency to exercise control or supervision over any private school or home school. A qualified student that accepts a payment from a parent under these provisions is not an agent of the state or federal government. A qualified school cannot be required to alter its creed, practices, admissions policy, or curriculum in order to accept students whose parents pay tuition or fees from an empowerment account in order to participate as a qualified school.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

Department of Revenue

Division of Taxation

Office of Attorney General

Administrative Hearing Commission

Office of Secretary of State

Administrative Rules Division

School Districts

Francis Howell

Nixa

Fulton

Colleges and Universities

Northwest Missouri State

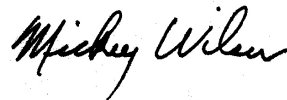
Missouri Western

Missouri Southern

Missouri State

University of Missouri System

University of Central Missouri



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Director

January 14, 2014

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January 14, 2014